

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: February 20, 2007

Bill Number: H.B. 3422 as passed by the House of Representatives February 14, 2007

Authors: Cooper and Kirsh

Committee Requesting Impact: House Ways and Means

Bill Summary

A bill to amend Sections [11-11-155](#) and [11-11-156](#), Code of Laws of South Carolina, 1976, relating to the Homestead Exemption Fund and the manner in which the school districts of the state receive revenues from the Homestead Exemption Fund, so as to clarify the method of determining and calculating these payments, providing the schedule of the payments to school districts, specifying the source of the two and one-half million dollar minimum payment to a county for school districts in the county, and specifying when a remaining balance in the Homestead Exemption Fund is remitted to counties for purposes of the county operating millage property tax credit for owner-occupied residential property; to amend Section [6-1-320](#), as amended, relating to the limit on property tax millage increases, so as to provide that a reduction in population does not decrease the applicable limit; to amend Section [12-37-670](#), as amended, relating to the optional acceleration of listing real property for property tax, so as to correct a reference; to amend Sections [12-37-3130](#) and [12-37-3150](#), relating to definitions and assessable transfers of interest for purposes of the South Carolina Real Property Valuation Reform Act, so as to revise the definition of "conveyance" and provide that transfers occur when instruments are executed without reference to the date of recording and to provide that failure to record gives rise to no inference or to whether or not a transfer has occurred; to amend Section [12-43-220](#), as amended, relating to classification and assessment of property for purposes of property tax, so as to provide additional information and certification requirements to obtain the special four percent assessment ratio for owner-occupied residential property, to provide periodic reapplication as the assessor determines necessary, to revise the application of a provision of the Internal Revenue Code of 1986 used in determining whether or not residential property qualifies for the four percent assessment ratio, and to revise the penalty for failure to timely notify the assessor when real property no longer qualifies for this special assessment ratio; to amend Section [12-51-50](#), as amended, and Section [12-51-70](#), relating to delinquent tax sales, so as to replace the reference to legal sales date with the advertised date for the sale and increase from three hundred to one thousand dollars the maximum penalty for defaulting on a tax sale bid; to amend Section [12-54-240](#), as amended, relating to the offense of disclosure of tax information, so as to revise an exemption to this offense; to amend Section [12-60-2510](#), as amended, relating to property tax appeals, so as to provide that in nonreassessment years, an appeal made before the first penalty date for taxes for the year applies for that year and an appeal filed on or after that date applies for the next year; to amend Section [12-6-40](#), as amended, relating to definitions for purposes of the South Carolina Income Tax Act, so as to update the date by which this state adopts by reference various provisions of the internal revenue code of 1986; and to amend Section [12-36-2120](#), as amended, relating to sales tax exemptions, so as to allow a sales tax exemption for an amusement park ride and any parts, machinery, and equipment used to assemble and make up an amusement park ride or performance venue facility and any related or required machinery, equipment, and fixtures located in an amusement park or theme park that meets certain investment and employment qualifications.

REVENUE IMPACT ^{1/}

This bill, as amended, is expected to increase General Fund income tax revenue by \$1,896,910 in FY 2007-08. A sales and use tax exemption on amusement rides and venues would reduce sales and use tax revenue by an estimated \$3,900,000 in FY 2007-08. Of this amount, General Fund sales and use tax revenue would be reduced by an estimated \$2,600,000, Education Improvement Act (EIA) funds would be reduced by an estimated \$650,000, and the Homestead Exemption Trust Fund would be reduced by an estimated \$650,000 in FY 2007-08.

Explanation

The following is a review of sections of the bill related to revenues.

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Section 4.A. This section conforms the state income tax code references, with exceptions, to the Internal Revenue Service as amended through December 31, 2006. Based on an analysis of federal law changes recently enacted, the Department of Revenue has advised the Board of Economic Advisors that the net effect of enacted federal law changes is expected to increase General Fund individual income tax revenue by an estimated \$1,896,910 in FY 2007-08.

Section 4.B. This section creates a sales and use tax exemption for a taxpayer that constructs and operates a qualifying amusement park or theme park. The taxpayer is required to make a capital investment of at least \$250,000,000 at a single site and create 250 full-time jobs and 500 part-time or seasonal jobs. The eligible taxpayer must meet the required investment and job creation requirements over a five-year period. According to information provided by the developer of an amusement park in Horry County, an estimated \$65,000,000 of capital investment in amusement rides and park venues, net of land acquisition costs, is expected to be under development in FY 2007-08. A sales and use tax exemption on the amusement rides and venues would reduce sales and use tax revenue by an estimated \$3,900,000 in FY 2007-08. Of this amount, General Fund sales and use tax revenue would be reduced by an estimated \$2,600,000, Education Improvement Act (EIA) funds would be reduced by an estimated \$650,000, and the Homestead Exemption Trust Fund would be reduced by an estimated \$650,000 in FY 2007-08.

/s/ WILLIAM GILLESPIE
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Chief Economist

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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.